

**MINUTES
of the
THIRD MEETING OF THE 2014 INTERIM
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**August 1, 2014
Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque, New Mexico**

The third meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2014 interim was called to order by Senator Nancy Rodriguez, chair, at 10:08 a.m. on August 1, 2014 at the office of the MFA in Albuquerque, New Mexico.

Present

Sen. Nancy Rodriguez, Chair
Rep. Ernest H. Chavez, Vice Chair
Rep. Thomas A. Anderson
Rep. Alonzo Baldonado
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Cisco McSorley

Absent

Sen. Stuart Ingle

Advisory Members

Rep. Sandra D. Jeff
Rep. James Roger Madalena
Sen. Richard C. Martinez
Sen. Bill B. O'Neill
Sen. Michael Padilla
Sen. Sander Rue

Rep. Nathan "Nate" Cote
Rep. George Dodge, Jr.
Sen. Gerald Ortiz y Pino

Guest Legislator

Rep. Miguel P. Garcia

Staff

Renée Gregorio, Senior Researcher, Legislative Council Service (LCS)
Celia Ludi, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file.

Friday, August 1

Call to Order

Senator Rodriguez called the meeting to order at 10:08 a.m. and welcomed members of the committee, staff and guests to the meeting.

Minutes

The minutes for the July 3, 2014 meeting were approved without amendment, upon a motion duly made and seconded.

Welcome

The chair recognized Joseph Montoya, deputy director of programs, MFA, who reminded members of the annual summit to be held August 20-22, 2014 at the Albuquerque Convention Center. He noted that Jay Czar, executive director, MFA, is out of town and then introduced Wayne Lindstrom, chief executive officer, Interagency Behavioral Health Purchasing Collaborative, and Jeff Hunt, director of New Mexico outreach services, Oxford House, Inc.

Foreclosure Process Task Force Update

Senator Padilla introduced Debbie Norman, outreach coordinator, United South Broadway Corporation (USB); Vicki Plevin, staff, USB Foreclosure Process Task Force; Tim Karpoff, facilitator, USB Foreclosure Process Task Force; and Theresa Laredo-Garcia, special projects director, MFA, and member, USB Foreclosure Process Task Force.

Senator Padilla expressed concern about the New Mexico home foreclosure issue, explaining that zip code 87121, which is in the area he represents, has the highest home foreclosure rate in the United States. It also has the highest percentage of federal Title I schools and students who qualify for free or reduced-fee lunches. He stated that foreclosures affect schools and children because when children keep moving around and do not know where they will be sleeping, it is hard for children to do well in school. Senator Padilla said that home foreclosure is only part of the larger picture of social concerns but that addressing it has the potential to positively affect other issues. To address all of these issues, Senator Padilla said, he has focused on early childhood education and home intervention and job creation, as well as foreclosure.

Pursuant to Senate Memorial 11 and House Memorial 15 from the 2014 legislative session, USB convened a foreclosure task force of diverse stakeholders charged with: (1) recommending improvements to the foreclosure process to prevent unnecessary foreclosures; and (2) developing a plan to educate homeowners, lenders, loan servicers and the judiciary on meaningful loss mitigation. USB is funding and providing staff to the task force. Ms. Plevin informed the committee that the task force is composed of 21 members, each of whom has an alternate member. Only the member or the member's alternate can vote. There has been between 90 and 100 percent attendance by members at the four meetings held to date. Ms. Plevin said that total meeting attendance has numbered 35 to 40 people, including Realtors, title company employees, mortgage lenders, lender and borrower attorneys and members of the judicial branch in addition to task force members. The goal of the task force is to get everyone around the table. The task force has met four times and will continue to meet every third Friday

until November, when it will submit five recommendations to the memorials' sponsors, Senator Padilla and Representative Gail Chasey, and to the committee.

Senator Padilla requested time on the agenda to present the foreclosure task force's recommendations at the committee's November 13 meeting. Senator Padilla invited committee members to the next task force meeting on August 8, 2014.

Ms. Plevin said that the foreclosure task force has identified four general areas of focus to develop recommendations: (1) loss mitigation and loan servicing; (2) improving the judicial process for foreclosure; (3) the negative social and economic impact of foreclosures, especially the problem of vacant and abandoned properties; and (4) stakeholder education, homeowner engagement in the foreclosure process and lender-homeowner communication.

Committee members expressed concern that homeowners are experiencing difficulties when working with lenders to mitigate impending losses. Several committee members have heard from constituents who are frustrated with lenders' processes. Constituents have consistently said that there is no continuity among lender employees and that no single employee has decision-making authority when working with them. John W. Anderson, executive vice president, New Mexico Bankers Association, offered to assist legislators who have constituents with those issues. Mr. Anderson said that there is nothing the banks want less than to foreclose on a property because, at that point, the bank stops receiving loan payments and takes on the maintenance and insurance responsibilities of ownership until the foreclosed property can be sold. Committee members thanked Mr. Anderson for his offer of assistance but stressed that the banks' processes need to be more transparent so that constituents do not need to contact their legislators, who then contact a lobbyist to deal with the bank. Committee members expressed that homeowners should be able to pick up a phone and be channeled to the proper resources. Mr. Anderson explained that part of the problem is that there are two types of loans: portfolio loans, which the banks retain and service; and loans that are sold to other organizations for servicing.

Mr. Anderson raised the issue of abandoned properties and suggested that an expedited foreclosure process for banks could move properties to the market faster.

An extensive discussion of the impact of foreclosure on communities ensued. A committee member stated that in zip code 87121, 30 percent to 35 percent of homes for sale are bank-owned. Another committee member stated that in Valencia County, 389 homes closed this year, and 160, nearly half, were bank-owned. Several committee members observed that in areas where there is a high percentage of foreclosed homes, property values decrease and pride of ownership suffers, leading to a downward economic spiral in the community. Several committee members noted that in many instances, inappropriate bank lending policies led to approval of loans to people who did not have the ability to make loan repayments over the long term. Members also noted that some homeowners were financially naive or irresponsible, which contributed to the current foreclosure problem. Other causes of foreclosures may include tax lightning and unpaid covenant or homeowner association fees.

Discussion of possible solutions included:

- use of deeds of trust instead of mortgages to secure loans, which would shorten the foreclosure process by bypassing the courts. Mr. Anderson said that in New Mexico foreclosures must follow a judicial procedure and is why title insurers will not write policies for deeds of trust. Mr. Anderson added that legislation to allow deeds of trust has failed in previous legislative sessions;
- mediation, which is required or offered by some courts now; and
- allowing a third party to assume the mortgage.

DIn response to queries from committee members regarding the disposition of litigation against the largest banks, Mr. Montoya introduced Gina Hickman, deputy director of finance and administration, MFA. Ms. Hickman described the organization and functions of the federal Consumer Financial Protection Bureau. Ms. Hickman then explained the settlement of the lawsuit filed by the federal government and 49 state attorneys general against Bank of America Corporation, JP Morgan Chase & Company, Wells Fargo & Company, Citigroup Incorporated and Ally Financial Inc. regarding violations of federal and state laws in mortgage lending. Among other things, the settlement included \$2 billion in first-lien principal reductions and a total of more than \$125 million in cash payments to certain homeowners who lost their homes to foreclosure. New Mexico's share of these payments is approximately \$8 million in relief and direct payments and another \$3 million to fund activities such as housing counseling and homeowner education. The New Mexico attorney general is administering the payouts, for which eligible New Mexicans must apply by September 15, 2014.

Supportive Housing

AMr. Montoya directed the committee's attention to the material behind Tab 1 in the committee notebooks (Item 2 on the web site). Mr. Montoya noted that supportive housing is private, subsidized rental housing for adults, in which the tenant holds an individual apartment lease; it is not group housing. Supportive housing is provided for people coming out of incarceration; for people with disabilities, including substance abuse and mental illness; and for people who are homeless. Mr. Montoya explained that supportive housing is linked to services, but tenants are not required to make behavioral changes before housing is provided; rather, people are housed first and then other supportive services are provided.

FMr. Montoya explained that when a person has affordable, safe housing, it becomes much easier for the person to tackle other issues, including health issues, lack of employment and lack of education. Mr. Montoya observed that supportive housing is a very effective model that costs less than other living arrangements such as shelters, institutions and group homes and reduces public health expenses and other expenses such as homeless services and jail systems.

Mr. Montoya introduced Lisa Huval, policy and advocacy director, New Mexico Coalition to End Homelessness. Ms. Huval described the Albuquerque Heading Home (AHH) program for medically vulnerable, chronically homeless people. Ms. Huval informed the

committee that the AHH program has an 81 percent retention rate, and it costs 31 percent less to house people than it costs to keep people homeless.

Mr. Montoya introduced Jane McGuigan, supportive housing coordinator, Behavioral Health Services Division, Human Services Department (HSD). Ms. McGuigan said that supportive housing requires multisector partnerships as detailed on pages 14 through 16 of the first document in Tab 1 in the committee notebooks. Currently, several different supportive housing programs exist in New Mexico.

D Linkages, New Mexico's first supportive housing program, created in 2007, targets extremely low-income homeless or precariously housed adults with mental, behavioral or emotional disorders that cause functional impairment, Ms. McGuigan said. Linkages now operates in Albuquerque, Silver City/Deming, Santa Fe, Roswell and Las Cruces.

Ms. McGuigan next addressed the special needs housing created in 2009 as a collaboration between the HSD and the MFA. As part of the state's low-income housing tax credit program, developers agree to set aside some housing units as special-needs-designated apartments and maintain rent and income level qualifications for a minimum of 30 years. Tenants in these units have incomes at or below 60 percent of the area median income for that county; have a household member with serious mental illness, in addiction treatment with demonstrated recovery or with various disabilities; and have a designated services provider. Between 2009 and 2014, 304 special-needs-designated units benefiting 768 people have been developed. There are more applicants than there are units available, so a lottery is held to ensure equal access.

Referring to a 2012 Legislative Finance Committee report on the Corrections Department (NMCD), Mr. Montoya provided some background on adult offender reintegration into communities. The report, "Reducing Recidivism, Cutting Costs and Improving Public Safety in the Incarceration and Supervision of Adult Offenders", is included in the documents behind Tab 1 of the committee notebook (Item 2 on the web site). Mr. Montoya highlighted the report's findings that are relevant to the MFA's and the committee's work. The report found that reducing recidivism through strategic budget development can save millions of dollars and improve public safety. More community-based resources are needed, and existing resources could be better used. The report recommended that the NMCD should explore expanding existing resources for halfway houses and residential treatment facilities to lower the numbers and reduce the costs of in-house parole and to increase the likelihood of successful offender reentry into society.

Next, Mr. Hunt described Oxford House's activities in New Mexico. Mr. Hunt informed the committee that Oxford House is a nationally recognized transitional housing model for recovering alcoholics and drug addicts. It offers self-supported, peer-run and -governed housing in good houses in good neighborhoods. Mr. Hunt told the committee that Oxford House began in 1975 when 13 male residents took over a county-run halfway-house that was being closed. The residents developed written democratic policies of operation in which all members of the

house were accountable to the other members and contributed to the operation and maintenance of the house. A study by DePaul University found that Oxford House is the most successful drug and alcohol rehabilitation organization in the United States and that members have a 65 percent to 87 percent recovery rate without relapse. Oxford House now operates houses in 43 states. Mr. Hunt stated that in New Mexico, there are currently 10 men's houses and five women's houses in Albuquerque; a men's house in Santa Fe is opening next week; and there are plans to open a house in Las Cruces. Mr. Hunt said that peer support and a structured living environment enable members to stay clean and sober and avoid relapsing. Many Oxford House residents have recently been released from incarceration.

Mr. Hunt informed the committee that 26 states provide some funding for Oxford House residences, primarily for staff expenses. House expenses, including rent, utilities and upkeep, are paid by the residents. Mr. Montoya added that in New Mexico, the NMCD and the HSD each provide some funding for Oxford House operations. Mr. Hunt said that Oxford House in New Mexico has only two paid staff members — his position is funded by the Interagency Behavioral Health Purchasing Collaborative, and the NMCD contributes funding for his associate's position. Priscilla Torres, Adult Probation and Parole Division, NMCD, added that the NMCD also provides funding for the first two months' rent for newly released inmates who make the transition to Oxford House.

Ms. Torres stated that with 17,000 probationers and parolees in New Mexico and only 44 halfway houses statewide, the NMCD would like to see more halfway houses outside of Albuquerque. Mr. Hunt agreed that more houses outside of Albuquerque are needed, but he noted that more than 50 percent of New Mexico Oxford House residents in Albuquerque originate from other communities in the state. He said that sometimes, the opportunity to get comfortable with an abstinent lifestyle outside of the resident's home community is what keeps the member from relapsing upon return to the home community.

In response to a question from a committee member, Mr. Hunt said that no special zoning is necessary for Oxford Houses residences because federal law requires municipalities to give reasonable accommodation to such places. He stressed that each house is a family unit; there are no on-site managers or counselors; and residents of each house are responsible for operating and maintaining the house in accordance with the Oxford House manual. There is also a community service requirement of three hours per week, and often that is met by residents helping neighbors with routine home and yard maintenance.

In response to questions from a committee member, Mr. Hunt explained that houses are usually larger homes, with four to six bedrooms, because each house's residents operate as a family unit, with residents having their own bedrooms but sharing the rest of the space, such as kitchens, living rooms and bathrooms, with other residents. Individual apartments and repurposed motels do not fit the Oxford House model as well as houses do. Mr. Hunt invited the committee members and members of the public to visit any of the houses to witness the operations first-hand.

Mr. Montoya clarified that the MFA does not provide direct services in supportive housing but rather provides assistance in the building side of things.

Committee members briefly discussed the possibility of partnering with other state agencies to pay residents to create new halfway houses by the residents doing rehabilitative construction work on houses that might otherwise be demolished. This would help residents get jobs doing something useful in the community and also give them marketable job skills.

The chair recognized Jeff Holland, executive director of The Endorphin Power Company (TEPC). Mr. Holland described TEPC as an organization that provides single-occupancy transitional living for people experiencing homelessness as a result of substance abuse and that uses the "four pillars" of exercise, education, community and service as guiding principles. Mr. Holland said that TEPC operates a 19-studio single-occupancy residence and a community center open to the public that offers a variety of 12-step meetings; free yoga and spin classes; case management; and acupuncture and other health modalities. Residents are self-supporting, but many receive temporary initial funding from Eagles Unlimited. TEPC actively raises funds for its operation and also serves as a substation for Albuquerque Ambulance Service. Mr. Holland said that residents are expected to spend a minimum of 30 minutes each day on exercise and education and three hours each week on community service. Mr. Holland stressed that a community-based approach to addiction recovery is highly effective and is evidence-based. For that reason, TEPC works closely with many nonprofit service providers as well as the NMCD, relies on volunteers in many areas and is open to the public.

MFA 2015 Legislative Agenda — Endorsement

Mr. Montoya directed the committee's attention to the material behind Tab 2 in the committee notebooks (Item 3 on the web site). Senator Martinez noted that all of the items had been discussed in previous meetings and moved to endorse all the proposed legislation. The motion was seconded and passed without objection.

New Mexico EnergySmart Program

Mr. Montoya directed the committee's attention to the material behind Tab 3 (Item 4 on the web site) in the committee notebooks. Mr. Montoya introduced Isidoro "Izzy" Hernandez, director of community development, MFA, who in turn introduced Joseph Stevens, Central New Mexico Housing Corporation (CNMHC), and Ben Thomas and Michael Cabral, Rocky Mountain Youth Corps (RMYC).

Mr. Hernandez explained that since 1997, the MFA has administered the New Mexico EnergySmart Program, which is sometimes referred to as the weatherization program, for low-income households. On average, low-income households spend 14 percent of their income to pay utility bills, while middle-income households spend four percent of their income on utility bills. New Mexico EnergySmart services are targeted toward very low-income households with high utility bills relative to income and include the elderly, children and/or disabled persons. Mr. Hernandez stated that the MFA partners with three other agencies to provide services in all 33 New Mexico counties and includes assessment and audits of houses and repair or

rehabilitation work on houses that ranges from weatherstripping to replacing windows or roofs and adding insulation. The federal Department of Energy (DOE) requires that standard work specifications be followed on every project and that all work be inspected.

Mr. Hernandez reported that this year, funding of approximately \$5.1 million for work on an estimated 626 housing units through the New Mexico EnergySmart Program will come from a combination of sources, including federal funds from the DOE; the Low Income Home Energy Assistance Program, which is referred to in the handouts as LIHEAP, managed by the federal Department of Health and Human Services; and private utility and energy companies. He pointed out that funds for weatherization have declined steeply from a high of approximately \$14 million in 2010-2011. He attributed the decline to a reduction in the amount of money provided through the federal American Recovery and Reinvestment Act (ARRA) of 2009. Referring to a chart in the materials behind Tab 3 of the committee notebooks, he showed that money from ARRA from 2009 through 2012 provided the majority of weatherization funds in those years. The State of New Mexico has not contributed to weatherization funding since 2010, Mr. Hernandez noted.

Mr. Stevens described the marketing and outreach efforts of the CNMHC, including advertisements in local newspapers and distribution of flyers. When potential clients apply for services, an assessor audits the clients' homes to determine expected energy savings as expressed by a savings-to-investment ratio, and applicants are then placed on a waiting list. Mr. Stevens said that CNMHC crews do most of the work, but the CNMHC subcontracts mechanical work. There are waiting lists in all 12 counties that the CNMHC serves. The CNMHC tries to save money on each project so it can do more projects. For instance, in Rio Arriba County, the CNMHC was allocated money for 23 projects, but it was able to complete 26 projects because of careful planning and use of the allocated money. Mr. Stevens related a success story involving a woman in Espanola who is now saving \$55.00 per month on her utility bills as a result of the work performed by the CNMHC.

Mr. Thomas and Mr. Cabral explained the RMYC's unique organizational model, which is based on the Civilian Conservation Corps. The RMYC hires 120 to 150 young men and women each year from the communities in northern New Mexico counties that the RMYC serves; trains and educates the youth members; and provides members with mentorship and leadership experience through the projects undertaken by the RMYC. The presenters said that youth members get real credentials, such as GEDs, certificates or diplomas, that help them transition into self-sustaining careers. Mr. Thomas said that the projects undertaken by the RMYC vary depending on the needs of the community and have included trail and forestry work, construction projects and weatherization projects. Mr. Thomas related the story of an RMYC member, Tyrell, who had not completed high school. He started at the RMYC by working in a conservation program and later applied for work in a construction crew. Tyrell earned his GED, went on to earn various credentials through Santa Fe Community College's (SFCC's) New Mexico EnergySmart Academy and is now a full-time crew supervisor leading youth crews for the RMYC.

Mr. Cabral told the committee that the rural communities that the RMYC serves in northern New Mexico have unique construction challenges, including encountering a variety of building materials used over years of ownership. As an example, he described a home that started out as a few adobe rooms with other frame rooms that were added on later, and, finally, a mobile home was attached to the home. Mr. Cabral told committee members about helping a homeowner from the Pueblo of Taos who had been on other waiting lists for years before the RMYC was able to improve his home.

The committee, Mr. Hernandez, Mr. Stevens and Mr. Thomas discussed possible expansion of services and new funding sources. Some possible sources of new funding are grants from energy or utility companies and state funds. Another source of funding to explore is state energy tax credits, which are currently available for new construction but not for rehabilitation. Another possible source of funding involves agreements to pay for installation of solar panels on residential units, with payments by the utility company for any excess electricity generated by the panels going back to the installing agency instead of the homeowner. It was agreed that more research is necessary. The New Mexico EnergySmart Program put people to work in construction during the depths of the recession, when many people were out of work, and continues to provide tangible benefits and cost savings.

Mr. Hernandez spoke about the New Mexico EnergySmart Training Academy at SFCC, which is a joint venture among the MFA, SFCC and DOE. The curriculum customizes national best practices for New Mexico's climate zones and housing stock. The academy trains students in the use of specialized equipment and is accredited by the Interstate Renewable Energy Council.

Mr. Montoya introduced Troy Cucchiara, green initiative manager, MFA, who introduced academy staff members Jeffrey Granger and Bill Eckman, who then presented an energy efficiency demonstration in the MFA parking lot, using the MFA's mobile van.

Adjourn

There being no further business to come before the committee, the meeting adjourned at 3:00 p.m.